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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE COMMISSIONER OF PATENTS AND TRADEMARKS

#23

In re THEODORE C. PATECELL)
Serial No. 07/349,305)
Filed: May 9, 1989) DECISION ON PETITION
Patent No. 5,000,241)
Issued: March 19, 1991)

Theodore C. Patecell (petitioner), through his attorney of record (Howard E. Thompson, Jr., Esq.), petitions for a declaration that he is not required to pay an issue fee surcharge required by the Patent and Trademark Office (PTO).

Background

1. When the claims of a patent application are allowed, PTO notifies the patent applicant that an issue fee is due. 35 U.S.C. § 151; 37 CFR § 1.311(a). The fee is specifically authorized by 35 U.S.C. § 41(a)2.

2. A "Notice of Allowance and Issue Fee Due" was mailed in connection with petitioner's application on October 9, 1990. The notice advised petitioner that the issue fee was $310, and that the fee was due within three months from the date the notice was mailed.

3. Petitioner is a small entity within the meaning of 35 U.S.C. § 41(h)(1) and 37 CFR § 1.9(f).

4. The $310 issue fee was the fee required by law for a small entity as of October 9, 1990. 37 CFR § 1.18(a) (1990).

5. Section 10101(a) of the Omnibus Budget Reconciliation Act of 1990, Pub. L. 101-508, 104 Stat. 1388, ____, reprinted in 1990 U.S. Code Cong. & Admin. News at page [992] (Jan. 1991), provides:

> SURCHARGES. -- There shall be a surcharge, during fiscal years 1991 through 1995, of 69 percent, rounded by standard arithmetic rules, on all fees authorized by subsections (a) and (b) of section 41 of title 35, United States Code.

Pub. L. 101-508 was signed by the President on November 5, 1990.

6. As of November 4, 1990, petitioner had not paid the issue fee.

7. PTO published an interim rule confirming that the new issue fee for a small entity, under Pub. L. 101-508, would be $525. 55 Fed. Reg. 49040, 49041 col. 3 (Nov. 26, 1990). Consistent with the date Pub. L. 101-508 was approved by the President, the interim rule was made effective November 5, 1990. 55 Fed. Reg. at 49040 col. 2.

8. On November 26, 1990, which was within three months of the mailing of the notice of allowance, petitioner tendered an issue fee in the amount of $310.

9. On January 7, 1991, PTO mailed a "Notice of Additional Issue Fee Surcharge Due." Petitioner was advised:

> This is in response to your payment of the issue fee specified in the Notice of Allowance.
>
> The Omnibus Budget Reconciliation Act of 1990 took effect on November 5, 1990. This Act imposed a 69% fee surcharge on all patent fees authorized by 35 U.S.C. 41(a) and (b). A copy of the new fee schedule including the surcharge required by law is enclosed.
>
> Accordingly, a $215.00 issue fee surcharge is due.
>
> In accordance with 35 U.S.C. 151, the application will be processed into a patent.
>
> Applicant [petitioner] must submit $215.00 within THREE MONTHS of the date of this notice to avoid lapse of the patent. 35 U.S.C. 151. No extensions of time are permitted under 37 CFR 1.136(a) or (b).
>
> The remaining balance of issue fee due should be submitted with a copy of this notice and directed to the Commissioner of Patents and Trademarks, Box Issue Fee, Washington, D.C. 20231.

10. Through a series of letters dated:

November 16, 1990 (Paper No. 13);

December 12, 1990 (Paper No. 15);

February 5, 1991 (Paper No. 17);

February 19, 1991 (Paper No. 18); and

March 4, 1991 (Paper No. 21)

petitioner, through counsel, has maintained that he should not be required to pay the $215 surcharge.

11. Petitioner's application issued as U.S. Patent No. 5,000,241 on March 19, 1991.

12. Petitioner was advised by PTO on March 28, 1991 (Paper No. 22) that the March 4, 1991, letter (Paper No. 21) would be treated as a petition to decide whether petitioner would be required to pay the $215 surcharge.

13. PTO records show that the $215 surcharge was paid on April 3, 1991.

Discussion

A. The petition

Inasmuch as the $215 surcharge has been paid, the letter of March 4, 1991 (Paper No. 21) will be treated as a petition for a refund. Compare National Ass'n of Broadcasters v. F.C.C., 554 F.2d 1118, 1126 (D.C. Cir. 1976) (to test lawfulness of alleged improper fee one must pay fee and ask for refund).

B. The issue

Petitioner contends that PTO is without authority to require payment of the $215 surcharge in his particular case. Petitioner does not contend that § 10101(a) of Pub. L. 101-558 is facially unconstitutional. Rather, petitioner contends that Pub. L. 101-508 is unconstitutional as applied to the facts of this case. More specifically, petitioner contends that the 69 percent surcharge cannot be constitutionally applied to an issue fee which could have been, but was not, paid prior to November 5, 1990. The precise issue is, therefore:

> Did Congress have authority to increase petitioner's issue fee by 69% on November 5, 1990, where
>
> (1) the Patent and Trademark Office mailed a "Notice of Allowance and Issue Fee Due" on October 9, 1990, requiring that an issue fee of $310 be paid on or before January 9, 1991, and
>
> (2) petitioner could have paid a $310 issue fee on or before November 4, 1990, but
>
> (3) petitioner waited until November 26, 1990, to pay the issue fee?

C. Congress had authority to increase petitioner's issue fee

Pub. L. 101-508 became effective on the date it was approved by the President. Gardner v. The Collector, 73 U.S. (6 Wall.) 499, 504 (1867). See also Matthews v. Zane, 20 U.S.

(7 Wheat.) 164, 211 (1822). The President's approval took place on November 5, 1990. Hence, Pub. L. 101-508 became effective on November 5, 1990.

Pub. L. 101-508 provides that certain patent fees are subject to a 69% surcharge. Enactment of the 69% surcharge is manifestly within the power of Congress. The Constitution provides that Congress shall have power to promote the progress of science and useful arts by securing for limited times to inventors the exclusive right to their discoveries. U.S. Const. art I, § 8, cl. 8. The constitutional provision is not self-executing. Cali v. Japan Airlines, Inc., 380 F. Supp. 1120, 1124, 184 USPQ 293, 295 (E.D.N.Y. 1974), aff'd, 535 F.2d 1240 (2d Cir. 1975). It empowers, but does not command, Congress to grant patent rights. Id. The power of Congress to legislate on the subject of patents is plenary by the terms of the Constitution. McClurg v. Kingsland, 42 U.S. (1 How.) 202, 206 (1843). Thus, within the limits of the constitutional grant, Congress may select the policy "which in its judgment best effectuates the constitutional aim." Graham v. John Deere Co., 383 U.S. 1, 6 (1966). The right to a patent is purely statutory. DeFerranti v. Lyndmark, 30 App.D.C. 417, 424 (1908); Giuliani v. United States, 8 USPQ2d 1095 (D.Hawaii 1988), aff'd mem., 878 F.2d 1444 (Fed. Cir. 1989). Inasmuch as Congress creates the right, it may put such limitations upon the right as it pleases. Mast, Foos & Co. v. Stover Mfg. Co., 177 U.S. 485, 494 (1900). Thus, "Congress has full power to prescribe to whom and upon what terms and conditions a patent shall issue." Owen v. Heimann, 12 F.2d 173, 174 (D.C. Cir.), cert. denied, 271 U.S. 685 (1926); Kling v. Haring, 11 F.2d 202, 204-5 (D.C. Cir.), cert. denied, 271 U.S. 671 (1926).

Congress' power includes the power to set issue fees and to raise issue fees at any time. Compare Boyden v. Commissioner of Patents, 441 F.2d 1041, 1043-4, 168 USPQ 680, 681 (D.C. Cir.), cert. denied, 404 U.S. 842 (1971), which notes (footnotes and citations omitted):

> No person has a vested right to a patent . . . but is privileged to seek . . . [patent protection] only upon compliance with the conditions which Congress has imposed. That rule applies to the payment of fees required for the administration of the patent laws just as it demands compliance with other conditions, statutorily imposed. Certainly the powers of Congress in the patent law field are plenary for they stem directly from the Constitution.
>
> * * * * *
>
> Congress has granted a privilege, open to all, and has created no requirements which can be said to be unnecessary to what Congress in the exercise of its plenary power deems essential to the effective working of the patent system.

Petitioner divides those who could have paid issue fees during the time period from October 9, 1990 through January 9, 1991, into two groups:

Group 1: those who paid the issue fee on or before November 4, 1990, and

Group 2: those who paid the issue fee on or after November 5, 1990 (i.e., between November 5, 1990 and January 9, 1991).

According to petitioner, it "becomes arbitrarily discriminatory," and therefore unconstitutional, to permit those in Group 1 to pay only $310 while at the same time requiring those in Group 2 to pay $525. Petitioner contends that Pub. L. 101-508 unconstitutionally discriminates in favor of those individuals in Group 1. Petitioner's argument overlooks the fact that any act of Congress which increases a fee creates two groups, viz., those who pay less before the effective date of the act and those who pay more on or after the effective date of the act. In this case, Congress drew a line, determining that all who pay fees on or after the effective date of Pub. L. 101-508 must pay a 69% surcharge. United States Railroad Retirement Board v. Fritz, 449 U.S. 166, 179 (1980), reh'g denied, 450 U.S. 960 (1981), states:

> Where, as here, there are plausible reasons for Congress' action, our inquiry is at an end. It is, of course, "constitutionally irrelevant whether this reasoning in fact underlay the

> legislative decision," because this Court has never insisted that a legislative body articulate its reasons for enacting a statute. This is particularly true where the legislature must necessarily engage in a process of line-drawing. The "task of classifying persons for . . . benefits . . . inevitably requires that some persons who have an almost equally strong claim to favored treatment be placed on different sides of the line," and the fact the line might have been drawn differently at some points is a matter for legislative, rather than judicial, consideration. [citations omitted].

It is true that Pub. L. 101-508, approved by the President on November 5, 1990, established the date when fees increased. It is also true that Pub. L. 101-508 discriminates between fees paid before November 5th and those paid on or after November 5th. However, the Supreme Court's above-quoted discussion is a complete answer to petitioner's argument that Pub. L. 101-508, as applied to the facts of this case, is unconstitutionally "arbitrarily discriminatory."

Petitioner argues that once the amount of his issue fee was established on October 9, 1990, it could not thereafter be raised consistent with due process under the Fifth Amendment. Petitioner has not shown, as of November 5, 1990, that his allowed patent application, but unissued patent, was property within the meaning of the Fifth Amendment on November 5, 1990. Compare Brenner v. Ebbert, 398 F.2d 762, 764, 157 USPQ 609, 611 (D.C. Cir.), cert. denied, 393 U.S. 926 (1968); DeFerranti v. Lyndmark, 30 App. D.C. 417, 425 (1908). In any event, petitioner's due process challenge is answered by United States v. Darusmont, 449 U.S. 292 (1981). In Darusmont, the Supreme Court sustained, over due process objections, a tax law enacted in October of 1976 which increased Darusmont's capital gain tax for the 1976 tax year for a sale which was complete as of July of 1976. Nor can petitioner claim that he has been denied procedural due process. Petitioner was given actual notice of the amount of the surcharge and was given a reasonable time period within which to pay the surcharge.

Decision

The petition must be denied. Since the 69% surcharge became effective on November 5, 1990, the interim notice was properly issued. Accordingly, petitioner's request that the notice be withdrawn must also be denied.

ORDER

Upon consideration of the petition dated March 4, 1991, and the entire record, it is

ORDERED that the petition is denied and it is

FURTHER ORDERED that petitioner is not entitled to a refund of the $215 surcharge and it is

FURTHER ORDERED that petitioner's request that the interim notice of November 26, 1990, be withdrawn is denied.

HARRY F. MANBECK, JR.
Commissioner of Patents
and Trademarks

cc: Howard E. Thompson, Jr., Esq.
51 Ridgewood Avenue
Glen Ridge, New Jersey 07028

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JUN 27 1991

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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE COMMISSIONER OF PATENTS AND TRADEMARKS

#25

In re THEODORE C. PATECELL)
Serial No. 07/349,305)
Filed: May 9, 1989)
Patent No. 5,000,241)
Issued: March 19, 1991)

DECISION ON REQUEST FOR RECONSIDERATION

Theodore C. Patecell (petitioner), through his attorney of record (Howard E. Thompson, Jr., Esq.), seeks reconsideration of a decision on petition entered May 7, 1991.

ORDER

Upon consideration of the request for reconsideration dated June 11, 1991, and the entire record, it is

ORDERED that the request for reconsideration is denied.

HARRY F. MANBECK, JR.
Commissioner of Patents
and Trademarks

cc: Howard E. Thompson, Jr., Esq.
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